



FORT CAMPBELL CONSUMER AFFAIRS

101st Airborne Division (AASLT) FT. Campbell, KY

CAO 03-02

DO YOU HAVE TLP AND GAP AUTO INSURANCE???

05 MAR 2002

The Fort Campbell Consumer Affairs Office (CAO) recently received several serious complaints from consumers experiencing major and significant out of pocket expenses due to inaccurate representations made regarding TLP and GAP auto insurance. Consumers were sold Total Loss Protection (TLP) and GAP coverage together and erroneously told that if their vehicles were totaled, they would not come out of pocket. Unfortunately, customers have since totaled their vehicles with both TLP and GAP coverage and been informed that they still owe balances exceeding \$5,000.

What is TLP?

This is total loss protection and only applies if the car is totaled (damages more than 70% of vehicle's value). With the TLP, if the car is not totaled then all damages will come out of the consumer's pocket. Also, TLP has a \$5,000 limit. This means that if the damages to your car are over \$5,000, you will still only receive \$5,000 (minus your deductible).

=====

TLP Example: You own a car with TLP (\$5,000 limit), with a car loan of \$9,500 and a blue book value of \$9,200. The vehicle is totaled. With this TLP you will only receive:

\$4,500 (TLP payment of \$5,000 minus a \$500 deductible)

\$4,500 Paid Against Loan Balance to Car Loan Company

In this example, the customer still owes \$5,000 to the loan company and has no vehicle!!!

Full Coverage: Example: If you purchased full coverage, (this includes collision, comprehensive and liability coverage) then you would only owe \$800:

\$9,200 (Full coverage pays \$9,200 blue book value to loan co.)

\$9,200

With full coverage and no limit, the customer only owes \$800 to the loan company.

Note: If the blue book were more than \$10,000 then you would not owe money with full coverage, but you would still owe \$5,000 with TLP).

=====

What is GAP coverage?

GAP coverage is insurance typically used to protect consumers who total their vehicles when they are still "upside down" (upside down is where your loan, i.e. what you owe, is more than the blue book value of the car, i.e. what it is worth). GAP is usually there to pay the difference between blue book value, i.e. what you receive from your primary insurance company, and the amount owing on your car loan. Most types of insurance do not have caps on their coverage but rather agree to pay the blue book value of the vehicle. When GAP and TLP are used, GAP typically only pays the difference between blue book value and the loan amount.

=====

Example: You own a car with TLP (\$5,000 limit) and GAP coverage, with a car loan of \$9,500 and a blue book value of \$9,200. The vehicle is totaled. With this TLP/GAP you will only receive:

\$4,500 (TLP payment of \$5,000 minus deductible)

\$ 300 (GAP coverage: loan amount \$9,500 minus blue book value \$9,200)

\$4,800 Paid Against Loan Balance